

Roundtable Discussion – Strategic Alliance
**Green Financial Solutions in Mexico –
How to Move from Niche to Mainstream**
Mexico City - 18 October 2017

**Promoting national green
bond underwriter champions:
The role of domestic banks in
accelerating green financing in Mexico**

Mats Olausson

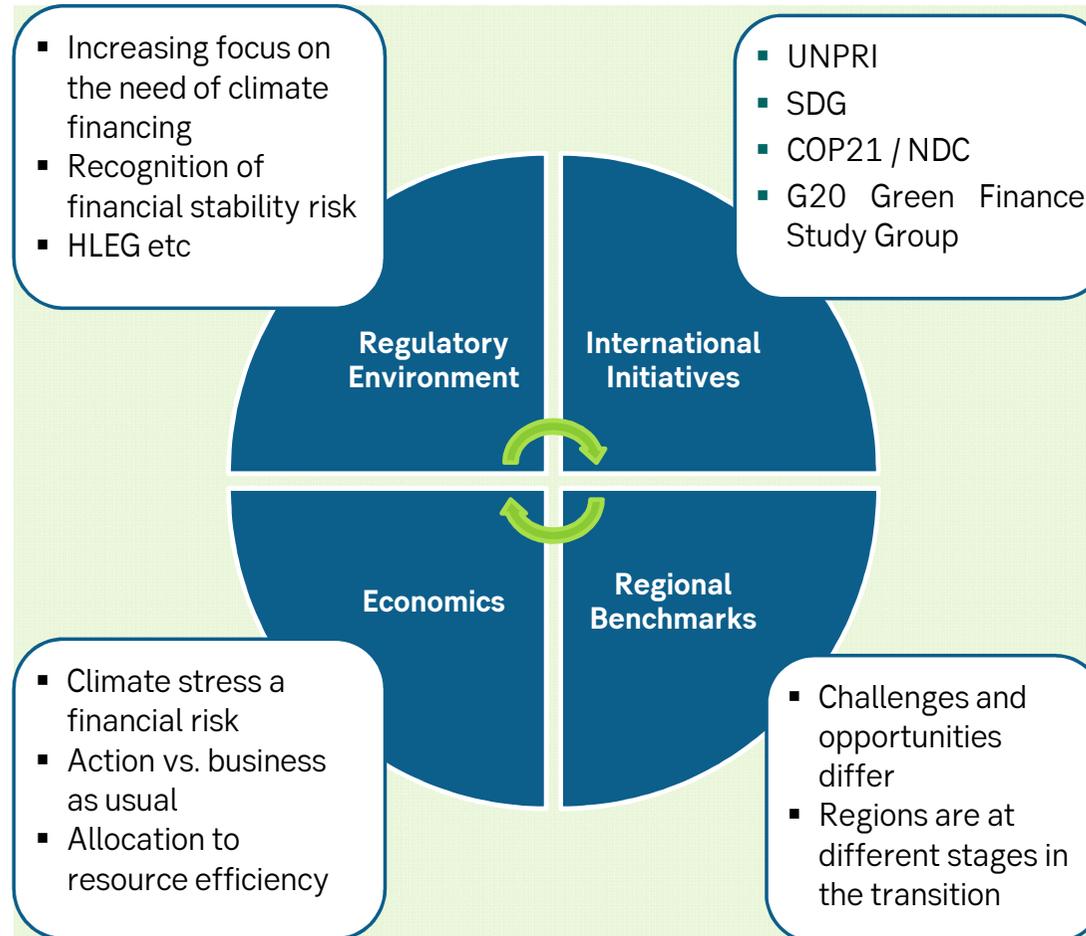
Senior Advisor

SEB Climate & Sustainable Financial Solutions

mats.olausson@seb.se

The SEB logo is displayed in white text on a green rectangular background. The letters 'S', 'E', and 'B' are separated by vertical bars.

Climate finance – underlying rationale



EU High Level Expert Group (HLEG) report on Sustainable Finance

- 1. The creation of a classification system for sustainable assets, coordinated by the European Investment Bank**
Aim to help identify projects that support EU environmental policy goals, with a view to broadening into social areas in the future
- 2. The creation of “official green bonds standards” and incentives for financial products**
The standards, and corresponding label, would be based on the classification system above, once defined, as well as the Green Bond Principles
- 3. The creation of shared fiduciary duty principles which include sustainability considerations**
Clarification should be made in upcoming reviews of legislation and regulation – such as Mifid II, PRIIPs and rules that govern credit ratings agencies – that ESG and **long-term sustainability must be considered as part of fiduciary duty throughout investment and lending chains**
- 4. Heightened disclosure around sustainability**
Governance, strategy, risk management and metrics/targets should all be considered in disclosure, and forward-looking information such as scenario analysis should be encouraged.
- 5. A sustainability test in financial legislation**
The report calls for the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG Fisma) to improve its impact assessments for proposed legislation and policies. It recommends that DG Fisma takes more seriously its commitment to include “a description of the environmental, social and economic impacts and an explicit statement if any of these are not considered significant”
- 6. The creation of a matchmaking body to stimulate green infrastructure development**
“A dedicated advisory and match-making facility between public authorities and private investors” that would give guidance on structuring and developing sustainable infrastructure projects and finding appropriate investors to finance them
- 7. The positioning of European Supervisory Agencies on sustainability**
The current review of European Supervisory Agency (ESA) operations should include clarification and enhancement of their role in assessing ESG-related risks in the context of long-term financial stability. The ESAs should encourage participation from experts in sustainability, too
- 8. The creation of accounting standards for energy efficiency**
To boost the flow of effective energy efficiency projects – much needed in order to meet EU climate goals – a better interpretation of accounting standards needs to be developed by Eurostat

Source: https://www.responsible-investor.com/home/article/leg_interim/, https://ec.europa.eu/info/sites/info/files/170713-sustainable-finance-report_en.pdf

The five pillars of Green Bonds

A concept of simplicity built on five pillars

1 Definition Use of proceeds	2 Selection Process for project evaluation/selection	3 Verification Assurance through external review	4 Monitoring Management of proceeds	5 Reporting Transparency
<ul style="list-style-type: none"> Identification and definition of investment areas / assets which are eligible for Green Bond financing <p>The Green Bond universe is divided into the following areas that target climate stress:</p> <ul style="list-style-type: none"> Mitigation Adaptation Environmental 	<ul style="list-style-type: none"> The Green Bond selection process ensures the right assets in line with the Green Bond framework are evaluated and selected <p>Establish procedures and secure ongoing monitoring</p> <ul style="list-style-type: none"> It is recommended to include climate competence in the selection process Climate competence function(s) often has veto right in the selection process 	<ul style="list-style-type: none"> Credibility is essential for the long-term development of the Green Bond market place <ul style="list-style-type: none"> Second opinion conducted by an independent third party specialist The primary objective is to verify the 'Greenness' of the investor's projects/areas Additionally, external assurance providers to verify the selection process in line with the Green Bond framework 	<ul style="list-style-type: none"> The proceeds raised via the Green Bond should be earmarked to support lending to the established eligible Green criteria <ul style="list-style-type: none"> There are several ways an issuer can earmark Green Bond proceeds, for example <ul style="list-style-type: none"> Earmarked account Balanced earmarked positions Virtual Green balance sheet 	<ul style="list-style-type: none"> To uphold credibility it is essential to be transparent towards investors and the market <ul style="list-style-type: none"> Obtained via an annual publicly available investor letter The letter should include a list of areas financed, a selection of project examples and a summary of the investor's Green development Identification of relevant impact measurements
<p>The Green Bond universe</p> <ul style="list-style-type: none"> Energy efficiency and other energy related initiatives (e.g. renewables) are driving the market at the moment Other project types include energy efficiency, sustainable housing, water management and waste management 	<p>Overview of selection process</p> <ul style="list-style-type: none"> Overall guidelines (internal / external) Eligible Green criteria Process for project evaluation Approval of eligible assets / projects 	<p>Who provides second opinions?</p> <ul style="list-style-type: none"> Cicero, DNV, Oekom, Sustanalytics, Vigeo <p>Why does SEB use Cicero?</p> <ul style="list-style-type: none"> It's a non for profit academic institution Cicero is broadly recognized, providing research for G8, OECD, UN and the World Bank They have a well developed international network of climate scientists which can be activated for regional development 	<p>Example of earmarking</p> <p>— Existing cash pool — Extended "Green" cash pool</p>	<p>The investor letter</p>

Pillars 1 + 2 + 4 + 5 = the four principles of the Green Bond Principles

The broad value proposition of Green finance

Investors

- Achieve intelligence on climate related issues inside existing management structure
 - Risk management
 - Climate stress
 - Regulations
 - Technology transition
- Live your values - competitiveness

Issuers

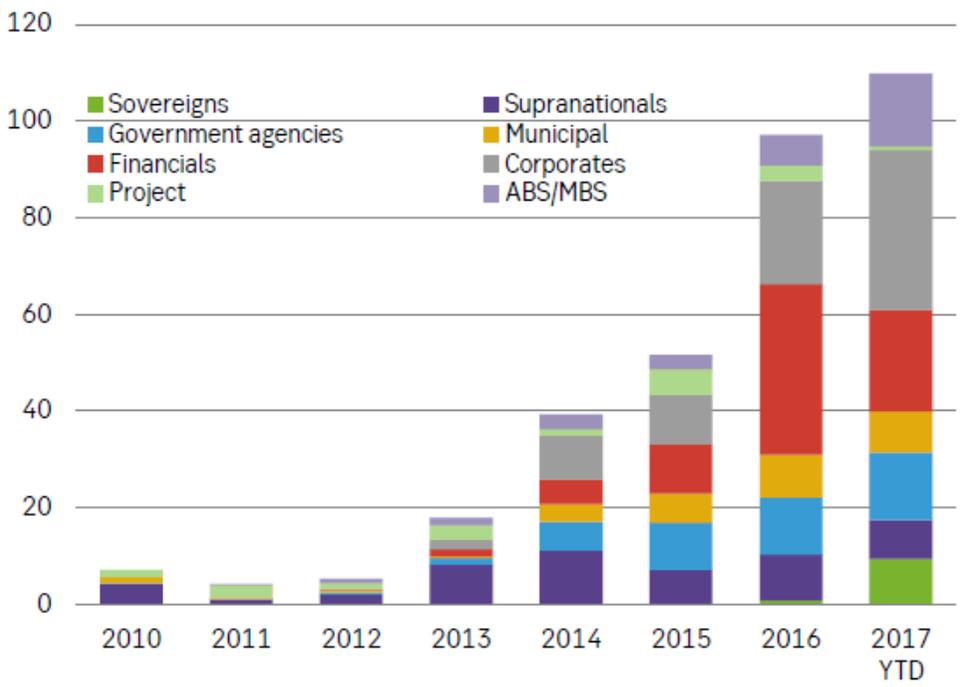
- Strengthen the financial position:
 - Investor diversification
 - Deepened dialogue
 - Enhanced issuance flexibility
- Targeted dialogue between operations (projects), Finance and Management
- Live your values - competitiveness

Society

- Activate (mobilize) human capital inside finance for society goals

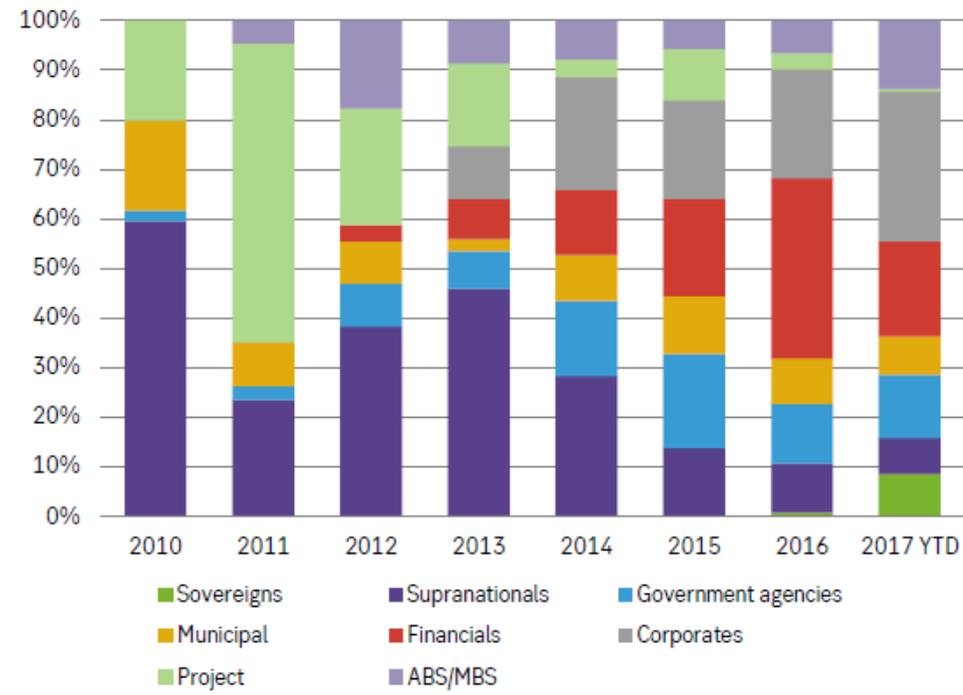
Issuance by year and by sector

Figure 11. Issuance evolution by sector 2010-2017



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

Figure 12. Sector shares, issuance 2010-2017



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

Potential for national/regional champions in new business fields

Example: SEB in the Nordic market of Green Bond underwriters

Selected Green Bond issues

KFW
Bank für Sozialwirtschaft
5 year EUR 1.5 billion
0.375%
July 2019
Joint Lead
SEB

NWB) BANK
NEZWEKARDE NUTSCAPBANK B.V.
5 year EUR 500m
0.625%
July 2019
Joint Lead
SEB

SKANSKA
5 year SEK 850m
FRN
April 2019
Sole Bookrunner
SEB

SCA
Care of Life
5 year SEK 1bn/500m
2.500% / FRN
April 2019
Sole Bookrunner
SEB

Göteborgs Stad
Stadsledningskontoret
SEK 500m
2.915% fixed bond/ FRN
October 2019
Sole Lead
SEB

IFC
USD 500m
0.750% fixed bond
October 2016
Joint Lead
SEB

EDC
USD 300m
0.875% fixed bond
January 2017
Joint Lead
SEB

European Bank
for Reconstruction and Development
USD 250m
1.625% fixed bond
April 2018
Joint Lead
SEB

IFC
USD 1billion
0.625% fixed bond
November 2016
Joint Lead
SEB

THE WORLD BANK
USD 550m
0.375% fixed bond
Aug 2015
Joint Lead
SEB

KBN Kommunalbanken
Norway
USD 500m
0.750% fixed bond
Nov 2016
Joint Lead
SEB

European Investment Bank
SEK 2,100m
3.000% fixed bond
April 2019
Joint Lead
SEB

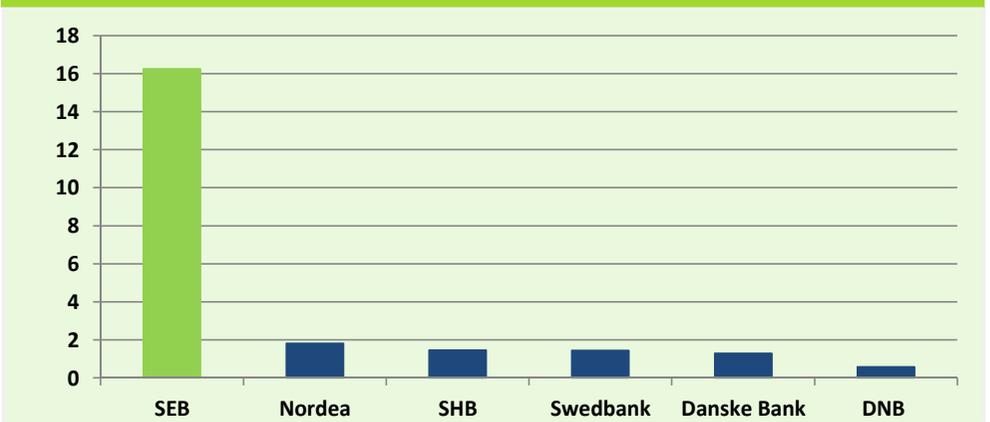
NiB
SEK 500m
2.750% fixed bond
September 2032
Joint Lead
SEB

VASAKRONAN
SEK 1,300m
1.774% / FRN
May 2016
Sole Lead
SEB

THE WORLD BANK
SEK 3,250m
3.500% fixed bond
November 2014
Sole Lead
SEB

Korea Eximbank
USD 500m
1.750% fixed bond
February 2018
Joint Lead
SEB

Top Nordic Green Bond Underwriters 1 Jan 2007-31 Aug 2017 (USD bn)



Source: Bloomberg

Top Nordic Green Bond Underwriters 1 Jan 2007 – 31 Aug 2016

Underwriter	USD mn	Rank	Issues	Global share
SEB	16245	3	162	7,2%
Nordea	1812	33	24	0,8%
SHB	1455	39	29	0,6%
Swedbank	1447	40	26	0,6%
Danske Bank	1294	43	29	0,6%
DNB	575	60	9	0,3%

Source: Bloomberg



Structures of some recent Green Bonds by financial institutions

Diversification of Green Bond framework approaches



	ABN-AMRO	SBAB!	中國銀行 BANK OF CHINA	Rabobank	BNP PARIBAS	SEB
Use of proceeds	Mortgage loans for energy efficient residential buildings (87%), renewable energy and energy efficiency upgrades for residential buildings (2%), commercial real estate loans (7%) including energy efficiency upgrades (4%)	Sustainable buildings (residential & commercial)	Wind, solar, urban rail, wastewater treatment	Solar, wind	Renewable energy, energy efficiency, mass and public transportation, water management and water treatment, recycling	Renewable, Energy Efficiency, Clean Transportation, Pollution Prevention & Control, Water and Wastewater Management, Sustainable Forestry, SSA Green Bonds
Management of proceeds	Specific green bond portfolio	Earmarked account	Tracking through a separate ledger to register the source of capital and use of proceeds	Balanced and matched positions between issuance and eligible loan portfolio	Use of proceeds is monitored via internal information systems	Virtual Green balance sheet
Audit of management of proceeds	External auditor	External auditor	External auditor	External auditor	External auditor	External auditor
Evaluation and selection process	Selection by ABN AMRO Mortgage Group, ALFAM Green Loans, (Commercial) Real Estate Clients and Facility Management, and also ALM Treasury and DCM Green Bonds	Selection by designated staff within Corporate Clients, Real Estate Valuations & Tenant-Owner Association departments	Headquarter will review nominated projects	A dedicated project finance department for wind and solar where credit application requires expert opinion by the sustainability department	Validation by central Green Bond committee where CSR will have final decision	Centralized committee where the environmental function has veto
Reporting	Annual (quarterly on management of flow of funds)	Annual	Annual	Annual	Annual	Annual
Impact reporting	Energy performance and CO2 emissions performance	Yes, when available	Yes, project examples and where feasible adopt quantitative performance measures on a portfolio basis	Estimated installed capacity in GW	Yes, when applicable, focus on CO2 avoided but other indicators may be used when appropriate	Yes, when possible and working towards portfolio impact reporting
Second opinion provider	Oekom	CICERO (Medium Green)	EY / PBoC approved (Dark Green)	Sustainalytics	Oekom	CICERO (Dark Green)
Type of second opinion	Assets	Framework	Assets	Framework	Assets / Framework	Framework
Usage	Existing assets	Existing & future assets	Existing assets	Existing & future assets	Existing & future assets	Existing & future assets

Source: SEB analysis based on relevant frameworks

Example: Why does SEB issue a Green Bond?

Strengthening SEB's financial position while making an impact on the ground

Deepens SEB's sustainability commitment



SEB recognizes the economic and social importance of climate stress.

Issuing a Green Bond:

- Contributes to a greener asset allocation
- Closes the gap - green capital finances green asset
- Recognizes the financial sector's importance when integrating sustainable goals

Increases customer satisfaction



SEB sees deepening client relations when increasing green product portfolio

Issuing a Green Bond:

- Supports customers environmental values
- Helps our clients include Green Finance in their profile
- Improves risk management for our clients

Strengthens SEB's financial position

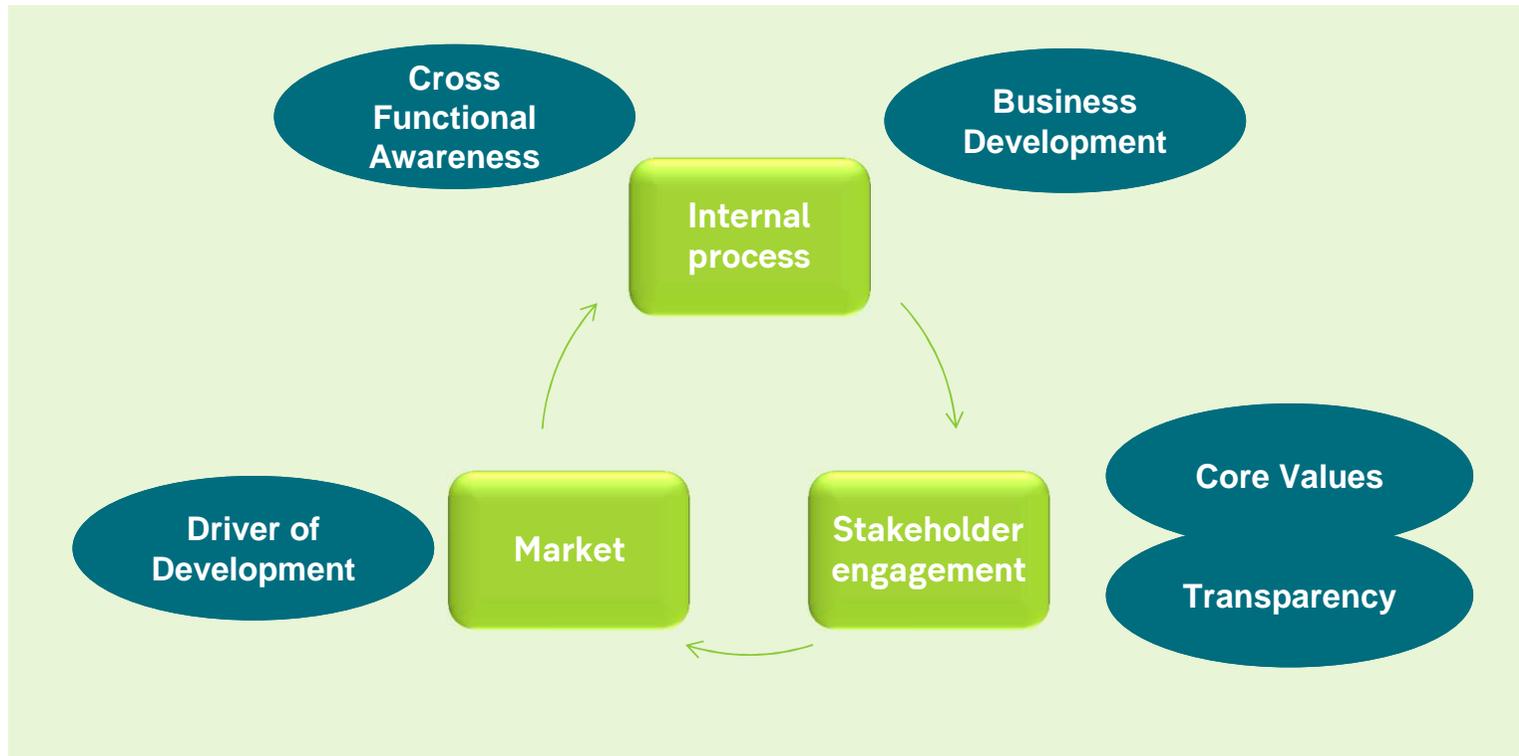


SEB sees an increasingly strong investor demand

Issuing a Green Bond:

- Broadens and diversifies investor base
- Deepens investor relationships
- Encourages a dialogue where Climate intelligence is used to identify financial risk/return issues

Green Loans – mirror image of financial institutions' Green bonds and – deepening of Green finance

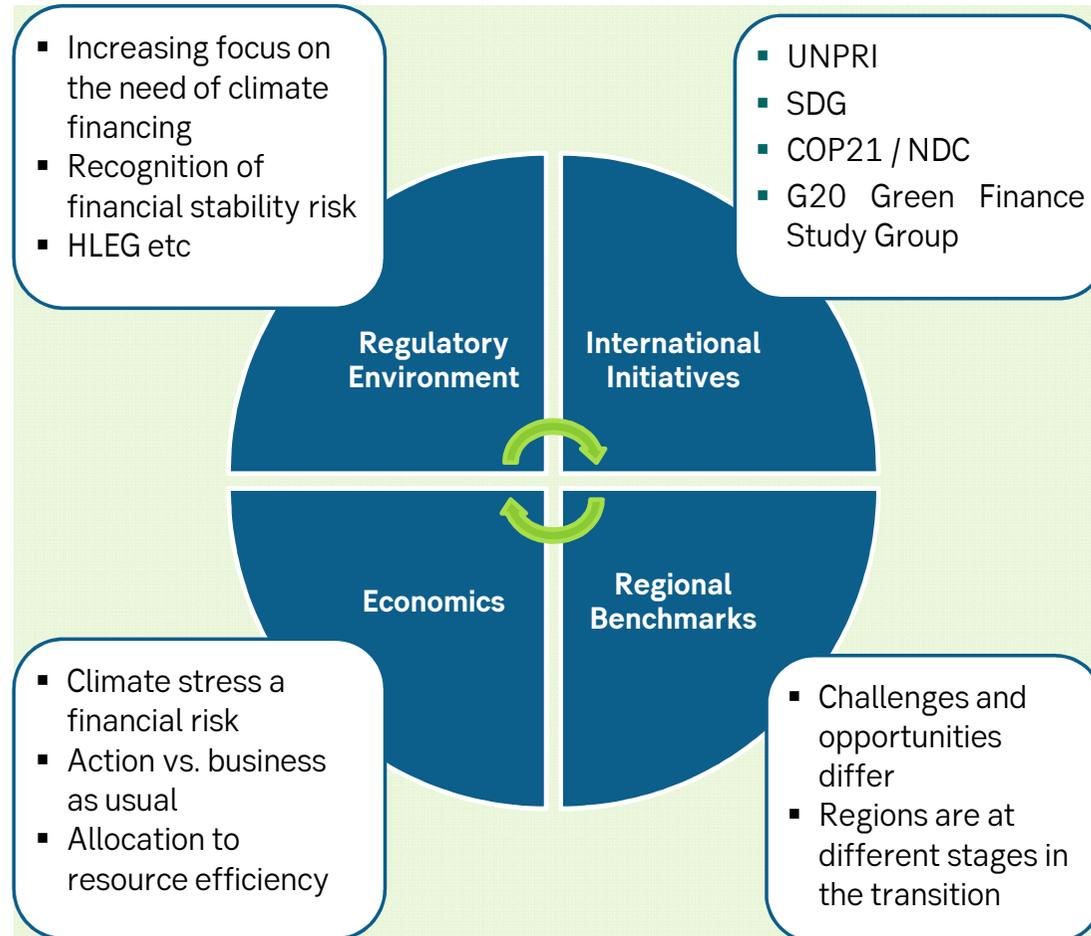


Mitigation of reputational risks

To avoid reputational risks it is highly recommended for borrowers to ensure the bank offering Green Loans has a solid Green infrastructure in place

Climate finance – underlying rationale

Rational finance – underpinning the climate



Disclaimer



This presentation has been prepared solely for informational purposes and is not to be construed as an offer to buy or sell, or a solicitation of an offer to buy or sell, any securities or related financial instruments, or to engage in a particular trading or investment strategy. The company should not construe the contents of this presentation as legal, tax, accounting or investment advice or a recommendation in respect of asset allocation or a particular investment. This presentation does not purport to be all-inclusive or to contain all of the material information that the company may require when making an investment decision. The instruments presented herein may not be appropriate for all investors. Prior to making any investment decision, the company should conduct an independent investigation of the instruments described herein and should consult its own counsel, tax and financial advisors as to legal and related matters concerning any potential investment decision. No investment, divestment or other financial decisions or actions should be based solely on the information in this presentation.

This statement affects your rights

This research report has been compiled by SEB Merchant Banking, a division within Skandinaviska Enskilda Banken AB (publ) ("SEB") to provide background information only. It is confidential to the recipient, any dissemination, distribution, copying, or other use of this communication is strictly prohibited. Good faith & limitations Opinions, projections and estimates contained in this report represent the author's present opinion and are subject to change without notice. Although information contained in this report has been compiled in good faith from sources believed to be reliable, no representation or warranty, expressed or implied, is made with respect to its correctness, completeness or accuracy of the contents, and the information is not to be relied upon as authoritative. To the extent permitted by law, SEB accepts no liability whatsoever for any direct or consequential loss arising from use of this document or its contents.

Disclosures

The analysis and valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties; different assumptions could result in materially different results. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of the SEB Group or any person or entity within the SEB Group that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. Anyone considering taking actions based upon the content of this document is urged to base investment decisions upon such investigations as they deem necessary. This document does not constitute an offer or an invitation to make an offer, or solicitation of, any offer to subscribe for any securities or other financial instruments.

Conflicts of Interest

SEB has in place a Conflicts of Interest Policy designed, amongst other things, to promote the independence and objectivity of reports produced by SEB Merchant Banking's Research department, which is separated from the rest of SEB business areas by information barriers; as such, research reports are independent and based solely on publicly available information. Your attention is drawn to the fact that a member of, or an entity associated with, SEB or its affiliates, officers, directors, employees or shareholders of such members (a) may be represented on the board of directors or similar supervisory entity of the companies mentioned herein (b) may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the securities of the companies mentioned herein or may make a market or act as principal in any transactions in such securities (c) may, acting as principal or as agent, deal in investments in or with companies mentioned herein, and (d) may from time to time provide investment banking, underwriting or other services to, or solicit investment banking, underwriting or other business from the companies mentioned herein.

Recipients

In the UK, this report is directed at and is for distribution only to (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (The "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons". This report must not be acted on or relied upon by persons in the UK who are not relevant persons. In the US, this report is distributed solely to persons who qualify as "major U.S. institutional investors" as defined in Rule 15a-6 under the Securities Exchange Act. U.S. persons wishing to effect transactions in any security discussed herein should do so by contacting SEBEI. The distribution of this document may be restricted in certain jurisdictions by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

The SEB Group: members, memberships and regulators

Skandinaviska Enskilda Banken AB (publ) is incorporated in Sweden, as a Limited Liability Company. It is regulated by Finansinspektionen, and by the local financial regulators in each of the jurisdictions in which it has branches or subsidiaries, including in the UK, by the Financial Services Authority; Denmark by Finanstilsynet; Finland by Finanssivalvonta; and Germany by Bundesanstalt für Finanzdienstleistungsaufsicht. In Norway, SEB Enskilda AS ('ESO') is regulated by Finanstilsynet. In the US, SEB Enskilda Inc ('SEBEI') is a U.S. broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). SEBEI and ESO are direct subsidiaries of SEB. SEB is active on major Nordic and other European Regulated Markets and Multilateral Trading Facilities, in as well as other non-European equivalent markets, for trading in financial instruments. For a list of execution venues of which SEB is a member or participant, visit <http://www.seb.se>.



Thank you!

Mats Olausson

Senior Advisor

Climate & Sustainable Financial Solutions

+46 8 50 62 32 62, mats.olausson@seb.se

STRICTLY CONFIDENTIAL

SEB